TEAMWAY

International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1239

2021 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Ngai Mei
Ms. Duan Mengying
Mr. Xu Gefei

Independent Non-Executive Directors

Mr. Poon Lai Yin Michael
Mr. Chow Ming Sang
Mr. Chan Ka Leung Kevin

AUDIT COMMITTEE (THE "AUDIT COMMITTEE")

Mr. Poon Lai Yin Michael *(Chairman)*
Mr. Chow Ming Sang
Mr. Chan Ka Leung Kevin

NOMINATION COMMITTEE (THE "NOMINATION COMMITTEE")

Mr. Poon Lai Yin Michael *(Chairman)*
Mr. Chow Ming Sang
Mr. Chan Ka Leung Kevin

REMUNERATION COMMITTEE (THE "REMUNERATION COMMITTEE")

Mr. Chan Ka Leung Kevin *(Chairman)*
Mr. Chow Ming Sang
Mr. Poon Lai Yin Michael

COMPANY SECRETARY

Mr. Chang Chi Wai Stanley

AUDITORS

Zenith CPA Limited
Registered Public Interest Entity Auditor
16/F, Pico Tower
64–66 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China Limited
Industrial and Commercial Bank of China Limited
China Minsheng Banking Corp., Ltd.
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
DBS Bank Ltd.
Industrial Bank Co. Ltd.
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Ltd
PO Box 1350, Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

PO Box 1350, Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1604, 16/F, Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon, Hong Kong

STOCK CODE

01239

COMPANY WEBSITE

www.teamwaygroup.com

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Teamway International Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present all shareholders of the Company (the "**Shareholders**") the annual report of the Company for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of (i) design, manufacture and sale of packaging products and structural components in the PRC; and (ii) property investment.

Packaging Products and Structural Components Business

Revenue

Most of the Group's customers under the packaging products and structural components business are leading consumer electrical appliance manufacturers in the PRC.

An analysis of revenue by products is as follows:

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Packaging products				
Televisions	101,729	27.0	98,113	27.1
Washing machines	85,983	22.8	70,474	19.5
Air conditioners	69,750	18.5	58,087	16.0
Refrigerators	55,435	14.7	77,811	21.6
Information technology products	33,839	9.0	26,602	7.4
Water heaters	15,892	4.2	15,092	4.2
Others	2,689	0.7	2,776	0.7
Structural components				
Air conditioners	11,380	3.1	12,645	3.5
Total	376,697	100	361,600	100

During the current year, the revenue by product type remained relatively stable with the revenue derived from the Group's products for televisions being the largest contribution of the segment revenue, amounting to approximately RMB101,729,000 or 27.0% of total segment revenue (2020: approximately RMB98,113,000 or 27.1% of total segment revenue). The revenue derived from the Group's products for washing machines, air conditioners (including packaging products and structural components) and refrigerators made the second, third and fourth largest contributions to the segment revenue, amounting to approximately RMB222,548,000 or 59.1% of total segment revenue (2020: approximately RMB219,017,000 or 60.6% of total segment revenue).

Cost of sales

The following table sets out a breakdown of the cost of sales for the periods stated below:

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Raw materials	**245,242**	**75.6**	222,253	74.5
Direct labour costs	**26,561**	**8.2**	27,039	9.1
Manufacturing overhead	**52,648**	**16.2**	48,978	16.4
Staff costs	**3,697**	**1.1**	2,171	0.7
Depreciation	**6,333**	**1.9**	7,394	2.5
Utilities	**28,746**	**8.9**	24,595	8.2
Processing charges	**13,341**	**4.1**	13,782	4.6
Others	**531**	**0.2**	1,036	0.4
Total	**324,451**	**100**	298,270	100

For the year ended 31 December 2021, the cost of sales amounted to approximately RMB324,451,000 increased by approximately RMB26,181,000 or 8.8% when compared to that of approximately RMB298,270,000 for the year ended 31 December 2020. This increase is mainly contributed by the increase in raw materials costs during the year.

Despite disposing one of our manufacturing plants during the year, our revenue is still increasing, but at a slower pace compared to the increase in cost of sales as reflected by the decrease in gross profit margins to approximately 13.9% for the year ended 31 December 2021 from approximately 17.5% for the year ended 31 December 2020. The labour costs bounced back to its normal level during the year ended 31 December 2021 after the one-off special arrangement by the PRC government in lowering the contribution of employee's retirement schemes during the year ended 31 December 2020.

There are still many challenges ahead of the operating environment of packaging products and structural components business due to the uncertainties associated with the development of novel coronavirus ("**COVID-19**") and the unstable macroeconomic environment.

Supply of raw materials

The Group purchases raw materials and components necessary for the manufacturing of the Group's packaging products and structural components from independent third parties. The raw materials mainly include expanded polystyrene and expanded polyolefin. The Group retains a list of approved suppliers of raw materials and components and only makes purchases from the list. The Group has established long-term commercial relationships with its major suppliers for a stable supply and timely delivery of high quality raw materials and components. The Group had not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of packaging products for the year ended 31 December 2021. The Group continues to diversify its suppliers of raw materials and components to avoid over reliance on a single supplier for any type of raw materials and components.

Production capacity

The Group's two factories are capable of a maximum annual manufacturing capacity, in aggregate, of 18,300 tonnes of packaging products and structural components. The current production capacity enables the Group to promptly respond to market demand and strengthen its market position.

Disposal of Manufacturing Plant

During the year ended 31 December 2021, the company agreed to sell 100% equity interest of Chuzhou Chuangce Packaging Materials Company Limited ("**CCPMCL**", an indirect wholly-owned subsidiary of the Company), at a consideration of RMB53,968,000 (the "**Disposal of Manufacturing Plant**"). CCPMCL is primarily engaged in design, manufacture and sale of packaging products and structural components. The Disposal of Manufacturing Plant was completed on 29 April 2021 and a gain on disposal of RMB2,158,000 was recorded.

The consideration of the Disposal of Manufacturing Plant was settled by offsetting directly from part of the outstanding loan and accrued interest owed by Peace Bright Investment Trading Limited ("**Peace Bright**", a direct wholly-owned subsidiary of the Company) to Pengtian Limited. The management believes it is a good timing to capture the opportunity and realise our manufacturing plant located in Chuzhou to improve the overall cash flow by reducing the debts of the Company.

Property Investment Business

For the year ended 31 December 2021, the Group's investment property, situated in Singapore at 1 Bishopsgate #04-06 Bishopsgate Residences, Singapore 247676 (registered in the Singapore Land Authority under the Land Lot No. TS24-U13661M) with a gross floor area of approximately 3,068 square feet recorded a fair value gain of approximately RMB1,342,000 and a rental income of RMB708,000 for the year ended 31 December 2021.

To improve the liquidity of the Company, the Company has listed the investment property for sale as at 31 December 2021. Since the market price of the investment property constitute significant portions of the Company's assets, the proposed sale is likely to constitute discloseable/notifiable transactions which will be subject to notifications, publications and/or shareholders' approval requirements from the listing rules before the sales can be completed.

Disposal of Investment Property in Hong Kong

During the year ended 31 December 2021, the company disposed of the investment property in Hong Kong situated at Flat A, 21/F., Tower 1, One SilverSea, 18 Hoi Fai Road, Tai Kok Tsui, Kowloon, Hong Kong (registered in the Land Registry as Kowloon Inland Lot No. 11158) with a gross floor area of approximately 1,568 square feet through selling 100% equity interest of Gorgeous Assets Limited ("**GAL**", a direct wholly-owned subsidiary of the Company) at a consideration of HK$47,800,000 (the "**Disposal of Property**"). GAL is primarily engaged in property investment. The Disposal of Property was completed on 13 April 2021 and a gain on disposal of RMB1,082,000 was recorded.

The Board considers it was a good opportunity to realise the gain to further strengthen the cash flow of the Group and enable the Group to reallocate its resources for future development. Details of the Disposal of Property are set out in the announcements of the Company dated 14 January 2021 and 19 January 2021.

FUTURE OUTLOOK

Packaging Products and Structural Components Business

During the year ended 31 December 2021, COVID-19 has continued to spread around the world. China is considered to be one of the countries that can effectively control the spread. Chinese government has implemented and continued to implement a number of preventive and control measures, including restricting and regulating people's travel and transportation arrangements to a certain extent, vaccination and the isolation of some residents, while strengthening health and pandemic prevention requirements in factories and offices, and implementing community management. Since our operations and customers of packaging products and structural components business are all within the territory of China, the effect on our revenue is minimal in the sense that our revenue is still increasing despite the disposal of one of our manufacturing plants during the year. We believe that the turnover of the packaging products and structural components business can at least be maintained at the same level.

However, the increase in raw materials costs was also inevitable during the pandemic period and this effect totally offset the increase in revenue and worsened the gross profits during 2021.Although China's economy continued demonstrating strong resilience, COVID-19 pandemic has caused increasing challenges and complexity to the operating environment.

In relation to operations management, the Group continued exploring various opportunities to boost its operations management efficiency. Meanwhile, the Group will closely monitor the COVID-19 pandemic situation and, as the case may be, continue to assess the impact of the pandemic on the Group's financial and business operations from time to time.

Property Investment Business

2021 has been a prosperous year for the Singapore property market, which has displayed incredible resilience in the face of the COVID-19 pandemic. With most borders remaining shut until the second half of the year, property activity in 2021 was primarily driven by local buyers. Singaporeans have shown that they are more adaptable than ever and have not let the COVID-19 pandemic get in the way of their property plans.

Prices have risen each quarter since the second quarter of 2020, and the last quarter of 2021 marked the seventh straight quarter of increases in private home prices and the strongest growth since 2019. Although the global interest rates and local mortgage rates recovered slightly in 2021, they have mostly remained low and are believed to continue to remain low with a gradual increase in 2022. Other factors such as continued increase in local demand and the increase of foreign investors after the reopen of borders, we expect property prices for the Singapore property market to continue thriving in 2022.

PROSPECTS

While the outbreak of COVID-19 Pandemic since January 2020 continues to affect the economic activities and transportations worldwide in 2021, the situation in PRC was generally under control after the implementation of preventive measures and various economic restoration policies by the government. Despite various external pressure, China's economy continued demonstrating strong resilience.

The COVID-19 variants have delayed the progress of the outbreak control. Challenges are expected to persist in the world economy in 2022. The overall economic and operating environment is expected to recover gradually due to the increase in vaccination rates and reopening of the affected economic sectors.

The Group will continue to navigate its businesses carefully amid these challenges and uncertainties. It will remain proactive, with necessary prudence, in looking for new investment opportunities that will provide sustainable benefits for the future. The Group is also exploring new and diversified income revenues in other investment fields on top of its existing packaging products and structural components business.

FINANCIAL REVIEW

Financial results

For the year ended 31 December 2021, the Group recorded the revenue of approximately RMB377,405,000, representing an increase of 4.0% when compared to that of approximately RMB362,833,000 for the year ended 31 December 2020.

Loss attributable to owners of the Company was approximately RMB43,394,000 for the year ended 31 December 2021 when compared to loss of approximately RMB38,424,000 for the year ended 31 December 2020.

The increase in loss for the year ended 31 December 2021 was mainly attributable to the increase in raw materials costs and decrease in fair value gains on investment properties. The increase in loss was partially offset by (i) the decrease in finance costs; and (ii) the decrease in administrative expenses.

Basic and diluted loss per share were RMB6.59 cents respectively (2020: RMB7.66 cents respectively).

Liquidity and financial resources

As at 31 December 2021, bank balances and cash of the Group amounted to approximately RMB52,671,000 of which approximately 71.3% was denominated in Hong Kong dollars ("**HK$**"), approximately 0.2% was denominated in US$, approximately 2.1% was denominated in SIN$ and the rest was denominated in RMB (2020: approximately RMB23,881,000 of which approximately 69.5% was denominated in HK$, approximately 0.1% was denominated in US$, approximately 3.1% was denominated in SIN$ and the rest was denominated in RMB).

As at 31 December 2021, the Group's bank borrowing of approximately RMB10,000,000 (2020: approximately RMB5,000,000) had variable interest rates and was repayable within one year, which was secured by the Group's buildings and prepaid land lease payments. As at 31 December 2021 and 2020, all of the bank borrowings were denominated in RMB.

As at 31 December 2021, the Group's other borrowings of (i) approximately RMB20,940,000 (2020: approximately RMB21,655,000) had fixed interest rate at 6.5% per annum, was repayable on demand, which was unsecured and was denominated in US$; (ii) approximately RMB146,753,000 (2020: RMB148,894,000) had fixed interest rate at 2% per annum, was repayable on 31 May 2023, which was unsecured and was denominated in US$; and (iii) approximately RMB173,297,000 under current liabilities (2020: RMB92,814,000 and RMB118,645,000 under current liabilities and non-current liabilities) had compound interest rate at 18% per annum, was repayable on demand, which was secured by the entire issued share capital of a wholly-owned subsidiary of the Company and was denominated in HK$.

Capital Structure

As at 31 December 2021, a total of 658,695,764 shares with par value of HK$0.04 each are in issue. The number of total issued shares of the Company remained unchanged during the year ended 31 December 2021.

Acquisitions, disposals and significant investment

Save as disclosed in this report, for the year ended 31 December 2021, there was no material acquisition, disposal or significant investment by the Group.

Capital expenditure

Capital expenditure of the Group mainly includes the purchase of property, plant and equipment and right-of-use assets. For the year ended 31 December 2021, capital expenditure of the Group amounted to approximately RMB6,804,000 (2020: approximately RMB8,192,000).

Pledge of assets

The Group had pledged (i) assets of buildings and prepaid land lease payments to the bank in the amount of approximately RMB7,211,000 as at 31 December 2021 (2020: approximately RMB10,304,000); and (ii) the entire issued share capital of a wholly-owned subsidiary of the Company to the lender as at 31 December 2021 and 2020.

Segment information

Details of segment information of the Group for the year ended 31 December 2021 are set out in Note 5 to the consolidated financial statements.

Human resources and training

As at 31 December 2021, the Group has 590 employees (2020: 751 employees). Total employee benefit expenses amounted to approximately RMB56,018,000 (2020: approximately RMB56,148,000). The Group has a management team (including product design and development team) with extensive industry experience. The Group has adopted an employee-focused management concept to involve the Group's staff in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and a number of initiatives to enhance the productivity of its employees. The Group conducts regular performance reviews for its employees. The remuneration, promotion and salary increments of the employees are assessed according to their performance, professional and working experience, and prevailing market practices. In addition, the Group has implemented training programs for employees in various positions.

Gearing ratio

As at 31 December 2021, the gearing ratio was 1.01 (2020: 0.9), which was measured on the basis of the Group's total borrowings divided by total assets.

Foreign exchange risk

Business transactions of the Group are mainly denominated in HK$ and RMB. Accordingly, the Directors consider that the Group is not exposed to significant foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure. In the view of the fluctuation of RMB in recent years, the Group will consider hedging significant foreign currency exposure should the need arise.

Capital commitment

As at 31 December 2021, the Group had no capital commitment (2020: Nil).

Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: Nil).

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our Shareholders, customers, suppliers and business partners for their unremitting support, and the management team and all our staff for their contributions.

On behalf of the Board

Ngai Mei
Executive Director

Hong Kong, 25 March 2022

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability and to earn the confidence of Shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all Shareholders.

For the year ended 31 December 2021, the Company has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code. The Company was in compliance with the applicable Code Provisions for the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the Company's code of conduct regarding securities transactions and dealings by the Directors. Each of the existing Directors, upon specific enquiries by the Company, confirmed that they have complied with the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

Members of the Board of Directors

As at the date of this annual report, the Board comprised the following Directors, (i) executive Directors, Ms. Ngai Mei and Ms. Duan Mengying; and (ii) independent non-executive Directors, Mr. Poon Lai Yin Michael, Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang.

The biographies of all Directors are set out in the section headed "Biographical Details of Directors" in this annual report. All Directors have the relevant experiences for effectively carrying out their respective duties.

In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2021 and up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules.

Responsibilities of Directors

All newly-appointed Directors receive comprehensive and formal training on the first occasion of their appointments to ensure that they have a proper understanding of the businesses and development of the Group and are fully aware of their responsibilities under the statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and corporate governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

Supply of and Access to Information

In respect of regular Board meetings, and so far, as practicable in all other cases, an agenda accompanied by the relevant Board papers are sent to all Directors in a timely manner and before the intended date of a Board meeting.

All Directors are entitled to have access to Board papers, minutes and related materials.

The Operation of the Board

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board is also responsible for formulating the development targets and objectives, material acquisitions and disposals, material capital investment, dividend policies, the appointment and removal of directors and senior management, remuneration policies and other major operation and financial issues of the Company. The powers and duties of the Board include convening Shareholders' meetings and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining business plans and investment plans, formulating annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the memorandum and articles of association of the Company (the "**Articles of Association**"). Daily business operations and administrative functions of the Group are delegated to the management.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Code Provision A.1.1 of the CG Code stipulates that the Board shall convene meetings regularly and convene at least four board meetings every year (approximately once a quarter).

During the year ended 31 December 2021, the Board held 4 meetings. The attendance of the Directors at the Board meetings is as follows:

Directors	Meetings attended/held
Executive Directors	
Ms. Ngai Mei	4/4
Ms. Duan Mengying	4/4
Independent Non-Executive Directors	
Mr. Poon Lai Yin Michael	4/4
Mr. Chan Ka Leung Kevin	4/4
Mr. Chow Ming Sang	4/4

In general, notices of meetings of the Board are sent to all Directors through email or fax before the dates of meetings. In order to enable the Directors to consider the issues to be approved in the meetings with adequate time, the notices of regular Board meetings are sent to all Directors 14 days prior to the convening of the meeting while prior notification of the convening of ad hoc board meetings are made to all Directors in due course. In order to provide all Directors with a full picture of the latest operating conditions of the Company, the management representatives of the Company will report the latest operating conditions of the Company and the implementation of the issues resolved in the last Board meeting to all the Directors before the convening of the meeting.

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1. During the year ended 31 December 2021, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year, all Directors were provided with regular updates on the Group's business and operation and information which covered topics including but not limit to the CG Code, the disclosure and compliance of inside information, updates and changes in relation to legislative and regulatory requirements in which the Group conducts its business for their study and reference. During the year, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills pursuant to the CG Code. All Directors (being Ms. Ngai Mei, Ms. Duan Mengying, Mr. Poon Lai Yin Michael, Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang received regular briefings and updates from the company secretary of the Company on the Group's business, operations and corporate governance matters, studied publications, books and other reading materials or attended seminars or workshops delivered by professionals, which are relevant to their duties and responsibilities.

COMMITTEES UNDER THE BOARD

The Audit Committee, the Remuneration Committee and the Nomination Committee were established under the Board. These committees perform supervision and control of the Company based on their written terms of reference.

Audit Committee

The Company established the Audit Committee on 10 June 2011 with written terms of reference in compliance with the Code Provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (an independent non-executive Director appointed on 19 March 2019 with the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules who serves as Chairman of the Audit Committee), Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang (both appointed on 21 June 2019).

The written terms of reference of the Audit Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

During the year ended 31 December 2021, the Audit Committee had considered, reviewed and discussed areas of concerns during the audit process, the compliance of company policy, the internal control procedures and the corporate governance of the Group and had approved the annual audited financial statements and the interim financial statements, respectively. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee had held 2 meetings during the year ended 31 December 2021.

The attendance of the members of the Audit Committee at the Audit Committee meeting is as follows:

Directors	**Meetings attended/held**
Mr. Poon Lai Yin Michael *(Chairman)*	2/2
Mr. Chan Ka Leung Kevin	2/2
Mr. Chow Ming Sang	2/2

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 10 June 2011. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced and high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (appointed on 19 March 2019), Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang (both appointed on 21 June 2019). Mr. Poon Lai Yin Michael is the Chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board and assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held 2 meetings during the year ended 31 December 2021.

The attendance of the members of the Nomination Committee at the Nomination Committee meeting is as follows:

Directors	**Meeting attended/held**
Mr. Poon Lai Yin Michael *(Chairman)*	2/2
Mr. Chan Ka Leung Kevin	2/2
Mr. Chow Ming Sang	2/2

During the year ended 31 December 2021, the Nomination Committee had reviewed the structure, size and composition of the Board and the retirement and re-appointment arrangement of the Directors at the Company's forthcoming annual general meeting.

Board Diversity Policy

The Board has adopted a board diversity policy in accordance with the requirement set out in the CG Code (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 June 2011 in compliance with the Code Provisions of the CG Code. The Company has adopted the Code Provisions to make recommendations to the Board to determine the remuneration packages of individual executive Directors and the members of senior management. The primary duties of the Remuneration Committee include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Poon Lai Yin Michael (appointed on 19 March 2019), Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang (both appointed on 21 June 2019). Mr. Chan Ka Leung Kevin is the Chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held 2 meetings during the year ended 31 December 2021.

The attendance of the members of the Remuneration Committee at the Remuneration Committee meeting is as follows:

Directors	**Meeting attended/held**
Mr. Chan Ka Leung Kevin *(Chairman)*	2/2
Mr. Poon Lai Yin Michael	2/2
Mr. Chow Ming Sang	2/2

During the year ended 31 December 2021, the Remuneration Committee reviewed the existing remuneration policies of the Company.

Further particulars regarding Directors' and chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 9 and Note 10 to the audited consolidated financial statements. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of Directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Ms. Ngai Mei, Mr. Poon Lai Yin Michael, Mr. Chan Ka Leung Kevin, Mr. Chow Ming Sang and Ms. Duan Mengying were appointed for an initial term of one year commencing from 28 February 2017, 19 March 2019, 21 June 2019, 21 June 2019 and 30 January 2020 respectively. All of their appointments are renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointed and subject to termination by either party upon giving not less than 3 months' prior written notice to the other party.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting, at least one third of the Directors shall retire from office by rotation. Each director shall retire at least once every three years and such Directors shall include those who have been assumed the longest term of office since their last election or re-election. Ms. Duan Mengying will retire from office as executive Director and Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang will retire from office as independent non-executive Directors by rotation at the forthcoming annual general meeting of the Company and be eligible to offer themselves for re-election.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts and the consolidated financial statements of the Company for the year ended 31 December 2021. The auditors to the Company acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the year ended 31 December 2021. Save as disclosed in this report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chang Chi Wai Stanley ("**Mr. Chang**"), appointed on 17 May 2019, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Mr. Chang is a member of The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). He holds a bachelor's degree in economics from Simon Fraser University in Canada. He possesses extensive experience in the area of accounting, finance, internal control and corporate governance.

During the year ended 31 December 2021, Mr. Chang undertook not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITORS' REMUNERATION

Remuneration to the external auditors of the Company amounted to HK$850,000 for the provision of annual audit services for the year ended 31 December 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for establishing, maintaining and monitoring a sound and effective system of internal control and risk management of the Group. The Group's risk management and internal control system is designed to safeguard the shareholders' investment and the Group's assets against misappropriation and unauthorised disposition, to identify and manage key risks that may impact the Group's performance and to ensure strict compliance with relevant laws and regulations. However, systems of risk management and internal control, no matter how well designed and operated, can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Board has established process on an ongoing basis for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the systems of risk management and internal control from time to time in response to the changes to the business environment or regulatory guidelines.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Report on review of risk management and internal control systems is submitted to the Audit Committee and the Board at least once a year. During the year ended 31 December 2021, the Board, through the Audit Committee, had performed annual review of the effectiveness and adequacy of the systems of risk management and internal controls of the Group covering all material controls in area of financial, operational and compliance controls and risk management functions. No material internal control aspects of any significant problems were identified. The Board and the Audit Committee considered that (i) the key areas of the Group's risk management and internal control systems are reasonably implemented during the year; and (ii) there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year. The Board will regularly review their adequacy and effectiveness.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

During the year ended 31 December 2021, the Company held 1 general meeting, which was the annual general meeting (the "**2021 AGM**") held on 17 June 2021.

The attendance record of the Directors at the general meeting during the year ended 31 December 2021 is set out below:

Directors	Meetings attended/held
Executive Directors	
Ms. Ngai Mei	1/1
Ms. Duan Mengying	1/1
Independent Non-Executive Directors	
Mr. Poon Lai Yin Michael	1/1
Mr. Chan Ka Leung Kevin	1/1
Mr. Chow Ming Sang	1/1

The Company's external auditors also attended the 2021 AGM.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings of the Company (the "**EGM(s)**") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board to convene the EGM (s), shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "**Policy**") on 16 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Suite 1604, 16/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. Any such proposals shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Suite 1604, 16/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and the Shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.teamwaygroup.com.

During the year ended 31 December 2021, there had been no significant change in the Company's constitutional documents.

PERMITTED INDEMNITY

The Company has arranged appropriate insurance covers in respect of any possible legal action against the Directors and officers of the Group and the insurance coverage is reviewed on an annual basis.

EXECUTIVE DIRECTORS

Ms. Ngai Mei (魏薇) ("Ms. Ngai"), aged 39, is an Executive Director of the Company since 28 February 2017. Ms. Ngai also holds directorship in various subsidiaries of the Company. Ms. Ngai graduated from Manchester Metropolitan University, UK and has more than 10 years working experience in corporate management and merger and acquisition. She once worked in China Minsheng Banking Corporation Limited ("**CMBC**"), during which time she participated in the CMBC Initial Public Offerings, was responsible for overall planning of overseas investor relations and participated in various large roadshows cooperated closely with investment banks, financial public relation and related professional teams. She also joined the acquisition of Asia Commercial Bank and participated in the license application of CMBC's Hong Kong Branch. Ms. Ngai was also responsible for investor relations and corporate financing of Hong Kong listed companies, leading a number of financing projects.

Ms. Duan Mengying (段夢穎) ("Ms. Duan"), aged 35, is an Executive Director of the Company since 30 January 2020. Ms. Duan joined the Company as the Chief Financial Officer on 1 April 2017. She has over 10 years of experience in auditing, accounting and financial management. Ms. Duan is well versed in accounting and financial management, especially in the areas of mergers and acquisitions, initial public offerings, group financing projects, forecasting and formulating of financial strategies, and in assessing new business opportunities for growth and profit potential. Ms. Duan obtained her Bachelor degree in accountancy and her Master degree in business information system from City University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Lai Yin Michael (潘禮賢) ("Mr. Poon"), aged 50, is an independent Non-Executive Director of the Company since 19 March 2019, and is the Chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Poon held a bachelor's degree in administrative studies from York University, Canada and master's degree in practising accounting from Monash University, Australia. Mr. Poon has been a fellow member of Hong Kong Institute of Certified Public Accountants ("**HKICPA**") since July 2009, and a member with CPA Australia since March 2000 respectively. Mr. Poon passed the qualification examination of Asset Management Association of China in 2016. Mr. Poon has over 20 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition.

Mr. Poon is currently an executive director of Huakang Biomedical Holdings Company Limited (stock code: 8622.HK) since September 2017. Mr. Poon is also an independent non-executive director in a number of Hong Kong listed companies, namely China Uptown Group Company Limited (stock code: 2330.HK) since 29 November 2006, Smartac International Holdings Limited (formerly known as Smartac Group China Holdings Limited, Sino Dragon New Energy Holdings Limited, China Zirconium Limited and Asia Zirconium Limited) (stock code: 0395.HK) since 29 January 2010, and LFG Investment Holdings Limited (stock code: 3938.HK) since 10 September 2019, the shares of these companies are listed on the main board of the Stock Exchange, and Niche-Tech Group Limited (stock code: 8490.HK) since 28 June 2019, the shares of which are listed on GEM.

Mr. Chan Ka Leung Kevin (陳家良) ("Mr. Chan"), aged 53, is an independent Non-Executive Director of the Company since 21 June 2019, and is the Chairman of the Remuneration Committee and a member of the Nomination Committee and Audit committee of the Company. He obtained his bachelor of science degree in accountancy and a master of science degree from the University of Illinois of the United States of America. Mr. Chan has extensive experience in corporate finance. He is currently a responsible officer of a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") to conduct type 6 (advising on corporate finance) regulated activity. He has been an independent non-executive director of Zhong Ao Home Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1538), since 31 May 2017 and S&S Intervalue China Limited (formerly known as China Futex Holdings Limited, a company listed on the GEM Board of the Stock Exchange (stock code: 8506), since 18 January 2021. He was an independent non-executive director of Greens Holdings Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 1318) from 8 January 2015 to 12 November 2015.

Mr. Chow Ming Sang (周明笙) ("Mr. Chow"), aged 49, is an independent Non-Executive Director of the Company since 21 June 2019, and is a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company. Mr. Chow obtained his bachelor degree in Business Administration (Accounting) from Hong Kong University of Science and Technology in 1995. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Certified Internal Auditors. Mr. Chow has over 25 years working experience of various industries in auditing, corporate governance and risk management advisory where he was the Advisory partner of a Big Four accounting firm since 2007 and was responsible for managing the Risk Advisory sub-service line's strategic growth and development in various regions of Mainland China since 2011. From 2013 to 2016, Mr. Chow became the Committee member of The Internal Controls General Standards Committee of The Ministry of Finance (PRC) (中國財政部內部控制標準委員會委員), the only Hong Kong people and Big Four partner being appointed as a committee member. Prior to joining the Company, Mr. Chow was the General Manager of Risk & Control Department of 泰禾集團 (Tahoe Group*) (Stock Code: 000732) from October 2018 to May 2019, the shares of which were listed on the Shenzhen Stock Exchange. Mr. Chow is currently the Managing Director of 天一正邦投資管理有限公司 (Alliance Capital Advisory Limited) where he was providing capital market related advisory services to companies mostly in Mainland China.

Mr. Chow is also an independent non-executive director in a number of Hong Kong listed companies, namely China Rundong Auto Group Limited (Stock code: 1365) since 18 December 2020, China Modern Dairy Holdings Ltd. (Stock code 1117) since 1 July 2021 and Redco Healthy Living Company Limited (Stock code: 2370) since 14 March 2022, the shares of these companies are listed on the main board of the Stock Exchange.

* *For identification purpose only*

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the Company's subsidiaries as at 31 December 2021 are set out in Note 1 to the audited consolidated financial statements in this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Details of (i) business review and (ii) future development of the Group's business are set out respectively in the sections headed "Business review" and "Future outlook" under "Letter from the Board" of this annual report from pages 3 to 9.

Principal Risks and Uncertainties

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Business Risk

Performance of our Group's core business will be affected by various factors, including but not limited to the economic conditions of PRC and Hong Kong and the performance of Hong Kong and Singapore property market, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel, but may lead to the increment of labor cost.

Foreign Exchange Rates Risk

As part of the Group's assets and liabilities were denominated in HK$, US$ and SIN$, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's management closely monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

The financial risk management policies and practices of the Group are set out in Note 35 to the audited consolidated financial statements.

There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment and incorporates environmental friendly practices into its daily course of business to achieve efficient use of resources, water and energy saving and waste reduction.

In accordance with Rule 13.91 and the Environmental, Social and Governance ("**ESG**") Reporting Guide contained in Appendix 27 of the Listing Rules applicable to the financial year ended 31 December 2021, the Company's ESG report will be available on our website and the website of the Stock Exchange within five months after the end of the financial year ended 31 December 2021.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2021. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2021.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. During the year ended 31 December 2021, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and financial position of the Group as at 31 December 2021 are set out in the audited consolidated financial statements on pages 36 to 103 in this annual report.

The Directors do not recommend the payment of any dividends for the year ended 31 December 2021 (2020: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 104 of this annual report. This summary does not form part of the audited consolidated financial statements.

DIVIDEND POLICY

The Board resolved on 15 March 2019 to adopt a policy on payment of dividends. The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate. The Board may recommend the payment of special dividends and final dividends which are required to be approved by an ordinary resolution of shareholders of the Company in general meetings of an amount not exceeding the amount recommended by the Board.

It is the policy of the Company to allow its shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. The Company may pay dividends twice a year, being interim dividends and final dividends. The Board may also declare and pay special dividends in addition to such dividends if it considers appropriate. The Board will continue to review this dividend policy from time to time and reserves the right to amend or modify this dividend policy when the Board may deem necessary and this dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

(a) the interest of the shareholders;

(b) statutory and regulatory restrictions;

(c) the actual and expected financial results of the Group;

(d) economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

(f) the possible effects on the Group's credit-worthiness, the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

(g) the current and future operations, liquidity position and capital requirements of the Group; and

(h) any other factors that the Board deems appropriate.

The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period.

FORM OF DIVIDEND

Subject to compliance of the Company's applicable laws and regulations, Memorandum and Articles of Association of the Company, the financial reporting standards the Group has adopted and the Companies Laws of the Cayman Islands, dividends may be paid in cash or be satisfied wholly or partly in the form of allotment of shares of the Company. The Board may also consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations.

USE OF PROCEEDS FROM THE PLACING AND PUBLIC OFFER

The Company was successfully listed on the Main Board of the Stock Exchange on 18 November 2011 by way of placing and public offer (the "**Placing and Public Offer**").

The proceeds received by the Company from the Placing and Public Offer, after deducting the relevant costs of the Placing and Public Offer, amounted to approximately HK$44,500,000 in total. As at 31 December 2021, the Group had used up all the net proceeds, of which (i) approximately HK$2,700,000 had been used for the repayment of bank loan; (ii) approximately HK$2,900,000 had been used as general working capital; (iii) approximately HK$29,000,000 was used for acquiring, remodifying and upgrading of plant and machines; and (iv) approximately HK$9,900,000 was used for acquiring and remodifying of mould.

USE OF PROCEEDS FROM THE RIGHTS ISSUE AND PLACING

The proceed received by the Company from the Rights Issue and Placing after deducting the relevant costs amounted to approximately HK$50 million. The Company intended to use the net proceeds for repayment of the Group's outstanding borrowings.

As at 31 December 2021, the Company has used approximately HK$46.34 million of the proceeds for repayment of the Group's outstanding borrowings. The remaining balance of the net proceeds is expected to be utilised on or before 30 June 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Model Code**") as the Company's code of conduct regarding securities transactions and dealings by the Directors. Upon specific enquiries of all existing Directors, each of them confirmed that they have complied with the Model Code during the year ended 31 December 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2021, the Company has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code. The Company was in compliance with the applicable Code Provisions for the year ended 31 December 2021.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (an independent non-executive director with the appropriate professional qualifications as required under rule 3.10(2) of the Listing Rules who serves as chairman of the Audit Committee), Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang.

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2021 as well as the Company's risk management and internal control review report. Besides, the Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Listing Rules and the Company's compliance with the CG Code.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the audited consolidated financial statements in this annual report.

RESERVES

Details of the movements of reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity in page 39.

Movements in the distributable reserves of the Company and the Group during the year ended 31 December 2021 are set out in Note 36 to the audited consolidated financial statements and in the consolidated statement of changes in equity in page 39.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in Note 26 to the audited consolidated financial statements in this annual report.

REMUNERATION POLICY

The Group determines its employee salaries with reference to the prevailing market salary rate of respective locations, experience as well as performance of such employees. In order to motivate the Group's employees and retain talent, the Group has adopted the employee incentives such as bonus sharing arrangement. The employee incentives are available to the Group's employees who are considered qualified for such incentives by the management members of the Group based on their performances in the year under review.

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, benefits in kind or discretionary bonuses relating to the performance of the Group. The Group also reimburses the Directors and senior management of the Company for expenses which are necessarily and reasonably incurred for providing services to the Group or discharging their duties in relation to the operations of the Group. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of Directors and chief executive are set out in Note 10 to the audited consolidated financial statements in this annual report.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement plans which cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee(s) in Hong Kong. Particulars of these retirement plans are set out in Note 3.4 to the audited consolidated financial statements in this annual report.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") adopted by the Company on 11 June 2011 for a period of ten years was expired during the year, and no option has been granted, outstanding, cancelled, lapsed or exercised by the Company under the Scheme. The Company currently has no other share option schemes.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors" in this annual report.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors
Ms. Ngai Mei
Ms. Duan Mengying

Independent Non-Executive Directors
Mr. Poon Lai Yin Michael
Mr. Chow Ming Sang
Mr. Chan Ka Leung Kevin

As at 31 December 2021, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

The Directors consider that those related party transactions disclosed in Note 32 to the audited consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules but are exempt from any of the reporting, annual review, announcement or independent shareholders' approval requirements under the Listing Rules.

COMPETING INTERESTS

None of the Directors or their respective close associates was interested in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's business as at the date of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and based on the confirmations received, the Company considers that the independent non-executive Directors remain to be independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "**SFO**") which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2021, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares

Name of shareholders	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Grand Luxe Limited *(Note 1)*	Beneficial owner	58,660,000	8.91%
Mr. Fu Jinsen *(Note 2)*	Beneficial owner/Interest of controlled corporation	41,840,000	6.35%
Mr. Chen Xiongwei *(Note 3)*	Beneficial owner/Interest of controlled corporation	53,760,000	8.16%
Kent Field Limited *(Note 4)*	Beneficial owner	36,600,000	5.56%
Mr. Chen Hui *(Note 4)*	Beneficial owner/Interest of controlled corporation	48,400,000	7.35%
Mr. Wu Jianxin	Beneficial owner	52,730,000	8.01%
Mr. Xie Yuqiang	Beneficial owner	42,600,000	6.47%

Notes:

1. Mr. Xu Gefei beneficially held the entire issued share capital of Grand Luxe Limited which in turn, beneficially held 58,660,000 Shares.

2. Mr. Fu Jinsen beneficially held 19,640,000 Shares of the Company and the entire issued share capital of All Superstar Limited, which in turn, beneficially held 22,200,000 Shares (i.e. 41,840,000 Shares in total).

3. Mr. Chen Xiongwei beneficially held 31,560,000 Shares of the Company and the entire issued share capital of Success Sense Limited, which in turn beneficially held 22,200,000 Shares (i.e. 53,760,000 Shares in total).

4. Mr. Chen Hui beneficially held 11,800,000 Shares of the Company and the entire issued share capital of Kent Field Limited, which in turn beneficially held 36,600,000 Shares (i.e. 48,400,000 Shares in total).

Save as disclosed above, as at 31 December 2021, no person had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

Save as disclosed in this annual report, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

KEY CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 84.3% (2020: approximately 81%) of the annual revenue and the sales to the largest customer included therein accounted for approximately 43.8% (2020: approximately 40.8%). For the year ended 31 December 2021, purchases from the Group's five largest suppliers accounted for approximately 80.4% (2020: approximately 80.5%) of the annual purchases and the purchases from the largest supplier included therein accounted for approximately 40.3% (2020: approximately 42.5%).

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, for the year ended 31 December 2021, there was no material acquisition, disposal or significant investment by the Group.

PRE-EMPTIVE RIGHTS

There are no relevant provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, and therefore the Company is not obliged to offer new shares on a pro-rata basis to existing Shareholders.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float as required under the Listing Rules throughout the year ended 31 December 2021 and as at the date of this annual report.

CORPORATE GOVERNANCE

The Company had adopted the Code Provisions set out in the CG Code in Appendix 14 to the Listing Rules. The Company has complied with the Code Provision of the CG Code for the year ended 31 December 2021.

AUDITORS

The Company's financial statements for the years ended 31 December 2011 to 2015 were audited by HLB Hodgson Impey Cheng Limited.

The Company's financial statements for the years ended 31 December 2016 to 2021 were audited by Zenith CPA Limited.

Zenith CPA Limited as auditor of the Company will retire and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ngai Mei
Executive Director

Hong Kong, 25 March 2022

ZENITH 誠宇
ASSURANCE I TRANSACTIONS I ADVISORY

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Teamway International Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 36 to 104, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which indicated that the Group incurred a net loss of RMB43,394,000 for the year ended 31 December 2021 and, as of that date, the Group had net current liabilities of RMB27,664,000 and net liabilities of RMB76,937,000. These conditions, along with other matters as set forth in note 2, indicate that material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
Expected credit losses for trade and notes receivables	
The carrying value of the Group's trade and notes receivables as at 31 December 2021 amounted to RMB169,083,000, representing 49% of the Group's total assets as at 31 December 2021, and an accumulated loss allowance for the trade and notes receivables carried as at 31 December 2021 was RMB2,146,000. The loss allowance for the impairment of trade and notes receivables is maintained to reduce the Group's trade and notes receivables to their estimated recoverable amounts. Management evaluates the estimated loss allowance based on historical repayment behavior of debtors, ageing profile as well as experience with collection trends, and current economic and business conditions. The management's continued refinement of the impairment of trade and notes receivables based on known customers information can provide a significant change in estimate between periods. We focused the impairment assessment of the trade and notes receivables as a key audit matter because of the material amounts involved, the significant judgement and assumptions involved in the determination of loss allowance under the expected credit losses model. The Group's accounting policies and disclosures on trade and notes receivables and loss allowance for expected credit losses are set out in notes 3.4, 4 and 19 to the consolidated financial statements.	In assessing the adequacy of loss allowance for the impairment on the trade and notes receivables, we evaluated the Group's credit control procedures regarding the credits granted to trade and notes receivables; performed testing on ageing profile to ascertain the accuracy of classification of receivables by ages; performed inquiry with management on the likehood of recoverability of the trade and notes receivables; inspected cash receipts from customers after the reporting period; and assessed the reasonableness of management's loss allowance by examining the information such as historical default data, evaluating whether the loss rate are appropriately adjusted based on the current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year as to whether there was an indication of management bias when recognising expected credit losses.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Kwok Lun.

Zenith CPA Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294
Hong Kong
25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	6	**377,405**	362,833
Cost of sales		**(324,451)**	(298,270)
Gross profit		**52,954**	64,563
Other income and gains, net	6	**7,531**	15,027
Reversal of impairment/(impairment) of trade and notes receivables		**944**	(2,488)
Selling and distribution expenses		**(35,151)**	(34,517)
Administrative expenses		**(31,444)**	(38,297)
Finance costs	7	**(36,274)**	(39,515)
LOSS BEFORE TAX	9	**(41,440)**	(35,227)
Income tax expense	12	**(1,954)**	(3,197)
LOSS FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT		**(43,394)**	(38,424)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted		**RMB(6.59) cents**	RMB(7.66) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
LOSS FOR THE YEAR	**(43,394)**	(38,424)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**6,389**	13,007
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**6,389**	13,007
TOTAL COMPREHENSIVE LOSS FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT	**(37,005)**	(25,417)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**39,548**	51,148
Investment properties	16	**54,646**	94,360
Right-of-use assets	17	**7,095**	9,655
Deferred tax assets	27	**14**	14
Deposits and prepayments	20	**236**	1,765
Total non-current assets		**101,539**	156,942
CURRENT ASSETS			
Inventories	18	**17,066**	16,634
Trade and notes receivables	19	**169,083**	225,177
Deposits, prepayments and other receivables	20	**6,557**	4,536
Financial assets at fair value through profit or loss	22	**—**	2,000
Cash and bank balances	23	**52,671**	23,881
Total current assets		**245,377**	272,228
CURRENT LIABILITIES			
Trade payables	24	**57,230**	60,001
Other payables and accruals	25	**10,046**	13,127
Interest-bearing bank and other borrowings	26	**204,237**	119,469
Lease liabilities	17	**685**	2,883
Tax payable		**843**	2,174
Total current liabilities		**273,041**	197,654
NET CURRENT (LIABILITIES)/ASSETS		**(27,664)**	74,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,875**	231,516
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**146,753**	267,539
Lease liabilities	17	**1,368**	752
Deferred tax liabilities	27	**2,691**	3,157
Total non-current liabilities		**150,812**	271,448
Net liabilities		**(76,937)**	(39,932)
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**22,487**	22,487
Reserves	30	**(99,424)**	(62,419)
Deficiency in assets		**(76,937)**	(39,932)

Ms. Ngai Mei
Director

Ms. Duan Mengying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RMB'000	Share premium account RMB'000	Special reserve RMB'000 *(note 30(c))*	Exchange fluctuation reserve RMB'000	PRC capital reserve RMB'000 *(note 30(a))*	PRC statutory reserves RMB'000 *(note 30(b))*	Shareholders' contribution RMB'000 *(note 30(d))*	Accumulated losses RMB'000	Deficiency in assets RMB'000
At 1 January 2020	**11,371**	**201,940***	**(27,434)***	**(14,890)***	**(8)***	**33,462***	**10,296***	**(273,717)***	**(58,980)**
Loss for the year	–	–	–	–	–	–	–	(38,424)	(38,424)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	13,007	–	–	–	–	13,007
Total comprehensive income/(loss) for the year	–	–	–	13,007	–	–	–	(38,424)	(25,417)
Issue of shares by share placement and rights issue *(note 28)*	11,116	33,349	–	–	–	–	–	–	44,465
At 31 December 2020 and 1 January 2021	**22,487**	**235,289***	**(27,434)***	**(1,883)***	**(8)***	**33,462***	**10,296***	**(312,141)***	**(39,932)**
Loss for the year	–	–	–	–	–	–	–	(43,394)	(43,394)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	6,389	–	–	–	–	6,389
Total comprehensive income/(loss) for the year	–	–	–	6,389	–	–	–	(43,394)	(37,005)
Transfer of special reserve upon disposal of subsidiaries	–	–	(12,500)	–	–	–	–	12,500	–
At 31 December 2021	**22,487**	**235,289***	**(39,934)***	**4,506***	**(8)***	**33,462***	**10,296***	**(343,035)***	**(76,937)**

* These reserve accounts comprise the consolidated reserves of negative RMB99,424,000 (2020: RMB62,419,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(41,440)**	(35,227)
Adjustments for:			
Changes in fair value of investment properties	6	**(1,342)**	(10,657)
Depreciation of property, plant and equipment	9	**7,218**	9,161
Depreciation of right-of-use assets	9	**2,954**	3,035
Fair value gains on financial assets at fair value through profit or loss	6	**(68)**	(69)
Finance costs	7	**36,274**	39,515
Gain on early termination of lease		**(123)**	—
(Reversal of Impairment)/impairment of trade and note receivables		**(944)**	2,488
Interest income	6	**(46)**	(81)
Gain on disposal of subsidiaries	8	**(3,240)**	—
Loss on disposal of items of property, plant and equipment	6	**17**	767
Operating cash flows before working capital charges		**(740)**	8,932
(Increase)/decrease in inventories		**(7,930)**	5,293
Decrease/(increase) in trade and notes receivables		**14,702**	(16,633)
(Increase)/decrease in deposits, prepayments and other receivables		**(1,665)**	1,059
Increase in trade payables		**5,902**	2,417
Increase in other payables and accruals		**7,398**	2,259
Cash generated from operations		**17,667**	3,327
Interest paid		**(630)**	(579)
Income tax paid		**(3,724)**	(1,617)
Interest elements of lease liabilities		**(41)**	(365)
Net cash flows from operating activities		**13,272**	766
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(6,046)**	(6,143)
Proceeds from disposal of property, plant and equipment		**1,517**	85
Purchases of leasehold land		**—**	(2,049)
Proceeds from disposal of subsidiaries, net of cash and cash equivalent disposed of	8	**29,872**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**18,068**	22,669
Purchases of financial assets at fair value through profit or loss		**(16,000)**	(24,600)
Interest received		**46**	81
Net cash flows from/(used in) investing activities		**27,457**	(9,957)

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	–	44,465
New bank and other borrowings		10,000	24,685
Repayment of bank and other borrowings		(15,257)	(75,909)
Principal portion of lease payment		(2,895)	(2,843)
Interest paid		(287)	(242)
Net cash flows used in financing activities		(8,439)	(9,844)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		32,290	(19,035)
Cash and cash equivalents at beginning of year		23,881	46,671
Effect of foreign exchange rate changes, net		(3,500)	(3,755)
CASH AND CASH EQUIVALENT AT END OF YEAR		52,671	23,881
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	52,671	23,881

1. CORPORATE AND GROUP INFORMATION

Teamway International Group Holdings Limited is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Suite 1604, 16/F, Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- design, manufacture and sale of packaging products and structural components
- property investment

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Great Earn International Limited	Hong Kong	HK$1	–	100	Investment holding
Mutual Power International Limited	Hong Kong	HK$1	–	100	Investment holding
Peace Bright Investment Trading Limited	British Virgin Islands ("**BVI**")	US$2	100	–	Investment holding
Chongqing Guangjing Packaging Materials Co. Ltd# (重慶光景包裝製品有限公司)*	The People's Republic of China (the "**PRC**")/ Mainland China	US$3,300,000	–	100	Design, manufacture and sale of packaging products and structural components
Sichuan Hejing Packing Materials Co. Ltd# (四川和景包裝製品有限公司)*	The PRC/ Mainland China	RMB33,000,000	–	100	Design, manufacture and sale of packaging products and structural components
Winner Alliance Limited	BVI	US$1	100	–	Property investment
Teamway Asset Management Limited	Hong Kong	HK$5,000,000	–	100	Investment holding

\# The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only.

* Registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2. BASIS OF PRESENTATION

For the year ended 31 December 2021, the Group incurred a loss attributable to owners of the parent of RMB43,394,000 and reported net current liabilities and net liabilities of RMB27,664,000 and RMB76,937,000 as at 31 December 2021 respectively. Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group covering a period up to 31 March 2023 and after taking into consideration of the measures and arrangements made by the Group as detailed below:

(i) the Company has obtained a continuous financial support and undertaking from substantial shareholders of the Company;

(ii) an independent lender of the Group has agreed to renewing the Group's other borrowing for a period of at least 12 months upon expiry;

(iii) possible disposal for the Group's investment property in Singapore; and

(iv) the Group is actively identifying any other possible financing options to strengthen the liquidity of the Group.

Notwithstanding the above, significant uncertainties exist as to whether the Group's plans and measures as describe above will be able to be achieved by the Group and whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future, obtaining the continuous financial support from its shareholders. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to continue as a going concern.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary and (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised to HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any significant impact on the financial position and performance of the Group as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the Interbank Offered Rates reform.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment — Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous contracts: Cost of fulfilling a contract*[1]
Annual Improvements to HKFRS 2018–2020	Amendments to HKAS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment property at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) (Continued)

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Leasehold improvements	20% or over the relevant lease terms whichever is shorter
Plant and machinery	10% to 20%
Office equipment	20%
Motor vehicles	20% to 40%
Moulds	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment properties are recognised in the statement of profit or loss in the year of the retirement or disposal.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets is over the lease terms ranging from 2 to 50 years.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and notes receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and notes receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable Information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below:

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables or loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sales of goods*

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(b) *Consultancy and business valuation services*

Service income is recognised over time when the services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract liabilities

A contract liability is recognised a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfer control of the related goods or services to the customer).

Share-based payment arrangements

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled employee benefits reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The Company's functional currency is the Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximately to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amount recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors assess the estimations at the end of each reporting period. Details of inventories are disclosed in note 18 to the consolidated financial statements.

(b) Provision for expected credit losses on trade and notes receivables

The Group applies basically the simplified approach in calculating expected credit losses ("**ECLs**"). An impairment analysis is performed at each reporting date using a loss rate approach to measure ECLs. The credit risk categorisation is determined based on a number of factors which include (i) debtors' ageing; (ii) historical repayment behavior of debtors; (iii) debtors' specific information available to the Group which is relevant for credit risk assessment; and (iv) current industry conditions and future economic outlook. The credit risk categorisation is adjusted to reflect subsequent information uncovered to an extent that such information provides evidence of conditions existed as at the year end date and forward-looking information. The ECLs are estimated based on the expected cash flows that can be recovered and other estimated repayments based on historical recovery ratios.

The assessment of correlation among historical recovery ratio, estimated repayment and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and conditions. The Group's historical credit loss experience and estimates may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 19 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charged in the year in which such estimate is changed. Details of property, plant and equipment are disclosed in note 15 to the consolidated financial statements.

(d) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. Details of leases are disclosed in note 17 to consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has two reportable segments as follows:

- design, manufacture and sale of packaging products and structural components
- property investment

5. OPERATING SEGMENT INFORMATION *(Continued)*

	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2021			
Segment revenue:			
Revenue from external customers	376,697	708	377,405
Segment results	4,099	1,732	5,831
Reconciliation:			
Interest income			46
Finance costs			(36,274)
Corporate and other unallocated expenses			(11,043)
Loss before tax			(41,440)
Other segment information			
Depreciation			
— Property, plant and equipment	7,088	—	7,088
— Right-of-use assets	134	—	134
Reversal of impairment of trade and notes receivables	944	—	944
Fair value gains on investment properties, net	—	1,342	1,342
Capital expenditure*	6,804	—	6,804

5. OPERATING SEGMENT INFORMATION *(Continued)*

	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2020			
Segment revenue:			
Revenue from external customers	361,600	1,233	362,833
Segment results	9,138	11,356	20,494
Reconciliation:			
Interest income			81
Finance costs			(39,515)
Corporate and other unallocated expenses			(16,287)
Loss before tax			(35,227)
Other segment information			
Depreciation			
— Property, plant and equipment	8,497	47	8,544
— Right-of-use assets	140	—	140
Impairment of trade and notes receivables	2,488	—	2,488
Fair value gains on investment properties, net	—	10,657	10,657
Capital expenditure*	8,192	—	8,192

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2021	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	258,483	54,646	313,129
Reconciliation:			
Deferred tax assets			14
Corporate and other unallocated assets			33,773
Total assets			346,916
Segment liabilities	64,037	198	64,235
Reconciliation:			
Interest-bearing bank and other borrowings			350,990
Deferred tax liabilities			2,691
Corporate and other unallocated liabilities			5,937
Total liabilities			423,853

5. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2020	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	313,406	95,143	408,549
Reconciliation:			
Deferred tax assets			14
Corporate and other unallocated assets			20,607
Total assets			429,170
Segment liabilities	69,835	258	70,093
Reconciliation:			
Interest-bearing bank and other borrowings			387,008
Deferred tax liabilities			3,157
Corporate and other unallocated liabilities			8,844
Total liabilities			469,102

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Sales of packaging products and structural components RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2021			
Singapore	**—**	**708**	**708**
Mainland China	**376,697**	**—**	**376,697**
	376,697	**708**	**377,405**
Year ended 31 December 2020			
Hong Kong	—	514	514
Singapore	—	719	719
Mainland China	361,600	—	361,600
	361,600	1,233	362,833

The revenue information is based on the location of the customers.

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
Hong Kong	**2,345**	44,855
Singapore	**54,646**	54,894
Mainland China	**44,534**	57,179
	101,525	156,928

The non-current asset information is based on the location of the assets and excludes deferred tax assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from each single customers (including sales to a group of entities which are known to be under common control with that customer) which accounted for 10% or more of the Group's revenue that solely derived from sales of packaging products and structural components' segment for the year, is set out below:

	2021 RMB'000	2020 RMB'000
Customer A	**165,075**	147,651
Customer B	**65,637**	47,305
Customer C	**54,733**	48,751

6. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue		
Sales of packaging products and structural components	**376,697**	361,600
Rental income from investment properties	**708**	1,233
	377,405	362,833

Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Type of goods		
Sale of packaging product	**365,317**	348,955
Sale of structural components	**11,380**	12,645
	376,697	361,600
Geographical markets		
Mainland China	**376,697**	361,600
Timing of revenue recognition		
Goods transferred at a point of time	**376,697**	361,600

6. REVENUE AND OTHER INCOME AND GAINS, NET *(Continued)*

Disaggregated revenue information *(Continued)*

The following table shows the movement in contract liabilities:

	2021 **RMB'000**	2020 RMB'000
At the beginning of the year	**119**	262
Decrease in contract liabilities as a result of recognising revenue from sale of packaging product during the year that was included in the contract liabilities at the beginning of the year	**(119)**	(262)
Increase in contract liabilities as a result of cash received	**108**	119
At the end of the year	**108**	119

Performance obligations

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one month from delivery, extending up to four months for major customers.

An analysis of other income and gains, net is as follows:

	2021 **RMB'000**	2020 RMB'000
Other income and gains, net		
Interest income	**46**	81
Fair value gains on investment properties, net *(note 16)*	**1,342**	10,657
Fair value gains on financial assets at fair value through profit or loss	**68**	69
Foreign exchange differences, net	**2,256**	3,106
Gain on disposal of subsidiaries *(note 8)*	**3,240**	—
Loss on disposal of items of property, plant and equipment	**(17)**	(767)
Government grants *(Note)*	**467**	1,821
Gain on early termination of lease	**123**	—
Others	**6**	60
	7,531	15,027

Note: There are no unfulfilled conditions or contingencies related to these grants.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 **RMB'000**	2020 RMB'000
Interest on bank borrowings	**287**	242
Interest on other borrowings	**35,316**	38,327
Finance costs arising on discounting trade and notes receivables	**628**	579
Interest on lease liabilities *(note 17)*	**41**	365
Others	**2**	2
	36,274	39,515

8. GAIN ON DISPOSAL OF SUBSIDIARIES

On 14 January 2021, the Company signed a provisional agreement to dispose of the investment property in Hong Kong situated at Flat A, 21/F., Tower 1, One SilverSea, 18 Hoi Fai Road, Tai Kok Tsui, Kowloon, Hong Kong (registered in the Land Registry as Kowloon Inland Lot No. 11158) with a gross floor area of approximately 1,568 square feet through selling of 100% equity interest of Gorgeous Assets Limited ("**GAL**", a direct wholly-owned subsidiary of the Company) at a consideration of HK$47,800,000 (equivalent to RMB39,772,000) (the "**Disposal of Property**"). GAL is primarily engaged in property investment. The Group lost its control over GAL and GAL ceased to be the subsidiary of the Group after the completion of Disposal of Property on 13 April 2021.

On 9 December 2020, Peace Bright Investment Trading Limited ("**Peace Bright**", a direct wholly-owned subsidiary of the Company) and Metro Master Limited ("**Metro Master**", a direct wholly-owned subsidiary of Peace Bright) agreed to sell 100% equity interest of Chuzhou Chuangce Packaging Materials Company Limited ("**CCPMCL**"), a direct wholly-owned subsidiary of Metro Master to Pengtian Limited ("**Pengtian**"), at a consideration of RMB53,968,000 (the "**Disposal of Manufacturing Plant**"). CCPMCL is primarily engaged in design, manufacture and sale of packaging products and structural components. The Group lost its control over CCPMCL and CCPMCL ceased to be the subsidiary of the Group after the completion of Disposal of Manufacturing Plant on 29 April 2021.

8. GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

	Notes	**Total** RMB'000
Net assets disposal of:		
Cash and bank balances		9,900
Property, plant and equipment	*15*	8,890
Investment property	*16*	38,690
Right-of-use assets	*17*	1,045
Deposits, prepayments and other receivables		1,144
Inventories		7,498
Trade and notes receivables		42,336
Trade payables		(8,673)
Other payables and accruals		(10,303)
Tax payables		(27)
		90,500
Gain on disposal of subsidiaries *(note 6)*		3,240
		93,740
Satisfied by:		
Cash		39,772
Non-cash		
Net-off against other borrowing		53,968
		93,740

8. GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 **RMB'000**
Cash consideration	**39,772**
Cash and bank balances disposed of	**(9,900)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**29,872**

9. LOSS BEFORE TAX

	Notes	**2021** **RMB'000**	2020 RMB'000
Cost of inventories sold		**245,242**	222,253
Employee benefit expenses		**56,018**	56,148
Auditors' remuneration		**823**	1,112
Lease payments not included in the measurement of lease liabilities	*17*	**111**	167
Depreciation of property, plant and equipment	*15*	**7,218**	9,161
Depreciation of right-of-use assets	*17*	**2,954**	3,035
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**355**	304

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of directors) Regulation, is as follows:

	Fees	Salaries, allowances and other benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2021				
Executive directors				
Ms. Ngai Mei	**2,987**	**–**	**15**	**3,002**
Ms. Duan Mengying	**1,215**	**–**	**15**	**1,230**
Independent non-executive directors				
Mr. Poon Lai Yin Michael	**159**	**–**	**–**	**159**
Mr. Chan Ka Leung Kevin	**159**	**–**	**–**	**159**
Mr. Chow Ming Sang	**159**	**–**	**–**	**159**
	4,679	**–**	**30**	**4,709**
2020				
Executive directors				
Ms. Ngai Mei	3,202	–	16	3,218
Mr. Xu Gefei *(note (i))*	18	–	–	18
Ms. Duan Mengying *(note (ii))*	1,201	–	14	1,215
Independent non-executive directors				
Mr. Poon Lai Yin Michael	171	–	–	171
Mr. Chan Ka Leung Kevin	171	–	–	171
Mr. Chow Ming Sang	171	–	–	171
	4,934	–	30	4,964

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Notes:

(i) Mr. Xu Gefei resigned his position as an executive director of the Company on 30 January 2020.

(ii) Ms. Duan Mengying was appointed as an executive director of the Company on 30 January 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: two), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,739**	1,906
Pension scheme contributions	**33**	25
	1,772	1,931

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**3**	3

There were no non-directors and non-chief executive highest paid employees being granted share option during the year (2020: Nil).

12. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax.

The provision for current income tax in Mainland China is based on a statutory rate of 25% (2020: 25%) of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Singapore Corporate Income Tax has been provided at 17% (2020: 17%) on the estimated assessable profits arising in Singapore during the year.

No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong during the year (2020: Nil).

	2021 **RMB'000**	2020 RMB'000
Current — PRC		
Charge for the year	**2,392**	2,822
(Over)/underprovision in prior years	**(6)**	26
Current — Singapore		
Charge for the year	**25**	31
Underprovision in prior years	**9**	4
	2,420	2,883
Deferred *(note 27)*	**(466)**	314
Total tax charge for the year	**1,954**	3,197

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2021 **RMB'000**	2020 RMB'000
Loss before tax	**(41,440)**	(35,227)
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	**(7,777)**	(5,526)
Income not subject to tax	**(529)**	(2,444)
Expenses not deductible for tax	**10,703**	10,798
Withholding tax on dividends	**(417)**	314
Tax losses not recognised	**—**	76
Under-provision in prior years, net	**3**	30
Others	**(29)**	(51)
Tax charge	**1,954**	3,197

13. DIVIDENDS

No dividend was proposed or declared by the board of directors in respect of the year (2020: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic

The calculation of basic and diluted loss per share are based on:

	2021 **RMB'000**	2020 RMB'000
Loss:		
Loss attributable to ordinary equity holders of the parent	**(43,394)**	(38,424)

	2021	2020
Shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation	**658,696,000**	501,820,000

(b) Diluted

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021								
At 31 December 2020 and at 1 January 2021:								
Cost	40,097	1,676	69,386	1,405	7,879	27,124	41	147,608
Accumulated depreciation	(19,579)	(1,676)	(46,820)	(1,059)	(4,694)	(22,632)	–	(96,460)
Net carrying amount	20,518	–	22,566	346	3,185	4,492	41	51,148
At 1 January 2021, net of accumulated depreciation	20,518	–	22,566	346	3,185	4,492	41	51,148
Additions	46	–	1,896	17	–	–	4,087	6,046
Disposals	–	–	(16)	(2)	(92)	(1,424)	–	(1,534)
Transfers	–	–	1,435	–	–	–	(1,435)	–
Disposal of subsidiaries *(note 8)*	(1,504)	–	(4,887)	(120)	(1,650)	(729)	–	(8,890)
Depreciation provided during the year *(note 9)*	(1,575)	–	(3,948)	(149)	(488)	(1,058)	–	(7,218)
Exchange realignment	–	–	–	(4)	–	–	–	(4)
At 31 December 2021, net of accumulated depreciation	17,485	–	17,046	88	955	1,281	2,693	39,548
At 31 December 2021:								
Cost	33,547	1,621	61,762	1,072	5,179	12,645	2,693	118,519
Accumulated depreciation	(16,062)	(1,621)	(44,716)	(984)	(4,224)	(11,364)	–	(78,971)
Net carrying amount	17,485	–	17,046	88	955	1,281	2,693	39,548
31 December 2020								
At 31 December 2019 and at 1 January 2020:								
Cost	39,898	1,903	64,472	1,426	6,640	31,317	1,316	146,972
Accumulated depreciation	(17,665)	(1,746)	(43,196)	(896)	(4,292)	(24,143)	–	(91,938)
Net carrying amount	22,233	157	21,276	530	2,348	7,174	1,316	55,034
At 1 January 2020, net of accumulated depreciation	22,233	157	21,276	530	2,348	7,174	1,316	55,034
Additions	199	–	1,041	32	2,051	–	2,820	6,143
Disposals	–	(109)	(24)	(7)	(70)	(642)	–	(852)
Transfers	–	–	4,095	–	–	–	(4,095)	–
Depreciation provided during the year *(note 9)*	(1,914)	(47)	(3,822)	(198)	(1,140)	(2,040)	–	(9,161)
Exchange realignment	–	(1)	–	(11)	(4)	–	–	(16)
At 31 December 2020, net of accumulated depreciation	20,518	–	22,566	346	3,185	4,492	41	51,148
At 31 December 2020:								
Cost	40,097	1,676	69,386	1,405	7,879	27,124	41	147,608
Accumulated depreciation	(19,579)	(1,676)	(46,820)	(1,059)	(4,694)	(22,632)	–	(96,460)
Net carrying amount	20,518	–	22,566	346	3,185	4,492	41	51,148

At 31 December 2021, certain of the Group's buildings with a net carrying amount of RMB6,005,000 (2020: RMB8,002,000) were pledged to secure general banking facilities granted to the Group.

16. INVESTMENT PROPERTIES

	2021 **RMB'000**	2020 RMB'000
Carrying amount at 1 January	**94,360**	89,418
Disposal of subsidiaries *(note 8)*	**(38,690)**	—
Net gain from a fair value adjustment *(note 6)*	**1,342**	10,657
Exchange realignment	**(2,366)**	(5,715)
Carrying amount at 31 December	**54,646**	94,360

The Group's investment property consists a residential apartment in Singapore (2020: Hong Kong and Singapore). The directors of the Company have determined that the class of its investment property's asset is residential property, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2021 and 2020 based on valuations performed by APAC Appraisal and Consulting Limited, independent professionally qualified valuers. The property in Singapore was revalued at SGD11,600,000 (equivalent to RMB54,646,000) (2020: RMB54,894,000). During the year ended 31 December 2021, the Group disposed of investment property located in Hong Kong with fair value of HK$46,500,000 (equivalent to RMB38,690,000) (2020: RMB39,466,000) at a consideration of HK$47,800,000 (equivalent to RMB39,772,000). Each year, the Group's management decides, to appoint which external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussion with the valuer on the valuation assumptions and valuation result when the valuation is performed.

Particulars of the Group's investment properties are as follows:

Location	**Use**	**Tenure**	**Attributable interest of the Group** **2021**	2020
Flat A, 21/F, Tower 1, One Silversea 18 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong	Residential	Medium term lease	**N/A**	100%
1 Bishopsgate #04-06, Bishopsgate Residences, Singapore 247676	Residential	Medium term lease	**100%**	100%

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Residential properties	**–**	**–**	**54,646**	**54,646**

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Residential properties	–	–	94,360	94,360

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

The fair value of the investment properties were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. There has been no change in the valuation techniques used in prior year.

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average 2021	2020	Relationship of input to fair value
Flat A, 21/F Tower 1, One Silversea 18 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong	Direct comparison method	Estimated market price per square feet (RMB)	**N/A**	21,938 to 26,810	The higher the market price, the higher the fair value
1 Bishopsgate #04-06, Bishopsgate Residences, Singapore 247676	Direct comparison method	Estimated market price per square feet (RMB)	**17,369 to 18,874**	18,004 to 19,546	The higher the market price, the higher the fair value

The direct comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of the investment properties. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors, including the transaction date, level of floor, environmental atmosphere, size of apartment and etc.

17. LEASES

The Group as a lessee

The Group has lease contracts for leasehold land and buildings used in its operations. Leases of leasehold land and buildings generally have lease terms of 50 years and 2 years respectively. Other leasehold land and buildings generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	**9,655**	10,869
Additions	**2,146**	2,049
Disposal of subsidiaries *(note 8)*	**(1,045)**	—
Early termination of lease	**(616)**	—
Depreciation charge	**(2,954)**	(3,035)
Exchange realignment	**(91)**	(228)
As at 31 December	**7,095**	9,655

At 31 December 2021, certain of the Group's right-of-use assets with net carrying amount of RMB1,206,000 (2020: RMB2,302,000) was pledged to secure general banking facilities granted to the Group.

17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 **RMB'000**	2020 RMB'000
Carrying amount at 1 January	**3,635**	6,718
New leases	**2,146**	—
Accretion of interest recognised during the year *(note 7)*	**41**	365
Payments	**(2,936)**	(3,208)
Early termination of lease	**(739)**	—
Exchange realignment	**(94)**	(240)
Carrying amount at 31 December	**2,053**	3,635
Analysed into:		
Current portion	**685**	2,883
Non-current portion	**1,368**	752
	2,053	3,635

The maturity analysis of lease liabilities is disclosed in note 35 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 **RMB'000**	2020 RMB'000
Interest on lease liabilities *(note 7)*	**41**	365
Depreciation charge of right-of-use assets (included in administrative expenses) *(note 9)*	**2,954**	3,035
Expense relating to short-term leases (included in administrative expenses) *(note 9)*	**111**	167
Total amount recognised in profit or loss	**3,106**	3,567

(d) The total cash outflow for leases is disclosed in note 31(c) to the consolidated financial statements.

17. LEASES *(Continued)*

The Group as a lessor

The Group leases its investment property (note 15) consisting of a residential property in Singapore (2020: two residential properties in Hong Kong and Singapore respectively) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB708,000 (2020: RMB1,233,000), details of which are included in note 6 to the consolidated financial statements.

At 31 December 2021, the undiscounted minimum payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 **RMB'000**	2020 RMB'000
Within one year	**764**	593
After one year but with two years	**620**	—
	1,384	593

18. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Raw materials	**6,717**	6,354
Work in progress	**291**	191
Finished goods	**6,707**	6,918
Packaging materials and consumables	**3,351**	3,171
	17,066	16,634

19. TRADE AND NOTES RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables from sales of packaging products and structural components	119,805	143,319
Notes receivables	51,424	85,882
	171,229	229,201
Impairment	(2,146)	(4,024)
	169,083	225,177

The Group's trading terms with its customers are mainly on credit, or otherwise sales on cash terms are required. The credit period is generally one month, extending up to four months for major customers. Notes receivables are received from customers under the ordinary course of business. All of them are bank acceptance bills with maturity period within six months.

Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the delivery date and net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	107,376	128,725
3 to 6 months	10,510	9,630
7 months to 1 year	153	1,135
Over 1 year	—	441
	118,039	139,931

19. TRADE AND NOTES RECEIVABLES *(Continued)*

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**4,024**	1,536
Disposal of subsidiaries	**(934)**	—
(Reversal of impairment losses)/impairment losses	**(944)**	2,488
At end of year	**2,146**	4,024

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies, financial difficulties or non-response to collection activities, they are assessed individually for impairment allowance.

In determining the expected credit losses for notes receivables, the directors of the Company have considered the bills received by the Group with a maturity period of less than one year are assessed on 12-month ECL by reference to the external credit rating, and concluded that the credit risk inherent in the Group's outstanding notes receivables is insignificant as at 31 December 2021 and 2020.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Past due			
2021		**Current**	**Less than 3 months**	**Over 3 to 6 months**	**Over 6 months**	**Total**
Expected credit losses rate		**0.41%**	**—**	**9.59%**	**58.32%**	**1.47%**
Gross carrying amount	RMB'000	**107,814**	**—**	**11,624**	**367**	**119,805**
Expected credit losses	RMB'000	**438**	**—**	**1,114**	**214**	**1,766**

			Past due			
2020		Current	Less than 3 months	Over 3 to 6 months	Over 6 months	Total
Expected credit losses rate		0.44%	3.26%	9.24%	66.99%	2.36%
Gross carrying amount	RMB'000	118,661	17,910	3,885	2,863	143,319
Expected credit losses	RMB'000	527	584	359	1,918	3,388

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Deposits	**2,857**	2,068
Prepayments	**3,382**	3,933
Other receivables	**554**	300
	6,793	6,301
Less: Deposits and prepayments under non-current portion	**(236)**	(1,765)
Current assets portion	**6,557**	4,536

None of the above assets was either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

21. LOAN AND INTEREST RECEIVABLES

	2021 RMB'000	2020 RMB'000
Loan and interest receivables	**–**	–
Less: impairment	**–**	–
	–	–

On 28 August 2017, Great Earn International Limited ("**Great Earn**"), an indirect wholly-owned subsidiary of the Company, entered into loan agreement (the "**Loan Agreement**") with Rossoneri Sport Investment Co., Limited ("**Rossoneri**"), an independent third party, pursuant to which the Group has granted a facility in the principal amount of United States Dollars ("**US$**") 8,300,000 (approximately RMB53,906,000) (the "**Loan**") to Rossoneri with carrying amount of approximately RMB54,583,000. The Loan is secured by share charge over the entire issued shares of Rossoneri Advance Co., Limited, the ultimate holding company of Rossoneri and wholly-owned by Mr. Li Yong Hong ("**Mr. Li**"), and a personal guarantee provided by Mr. Li. The Loan is bearing interest of 14% per annum, for a term of six months, with extension clauses for three months from the first expiry on 28 February 2018 (the "**First Extended Maturity Date**", i.e. on 28 May 2018) and further three months from the expiry of the First Extended Maturity Date (the "**Second Extended Maturity Date**", i.e. on 28 August 2018), subject to mutual agreement in writing to be made between Great Earn and Rossoneri.

Rossoneri failed to repay the Loan on 28 February 2018 and the Company has sent numerous reminders to Rossoneri. On 5 March 2018, Great Earn and Rossoneri entered into a supplemental deed (the "**Supplemental Deed**"), pursuant to which the extension clauses were superseded and the First Extended Maturity Date and Second Extended Maturity Date have been amended to 31 March 2018 and 30 April 2018, respectively. In addition, for the period from the date immediately after 28 February 2018, Rossoneri shall pay interest at the rate of 24% per annum. The interest shall become due and payable by Rossoneri to the Group on 31 March 2018. The Loan is further secured by a personal guarantee provided by Ms. Huang Qingbo ("**Ms. Huang**"), an independent third party of the Company. Further details of which were set out in the Company's announcement dated 5 March 2018.

21. LOAN AND INTEREST RECEIVABLES *(Continued)*

As at 30 April 2018, the Loan was still outstanding and in default position. On 17 May 2018, the Company promptly sent demand letters to each of Rossoneri, Mr. Li and Ms. Huang demanding for repayment of the Loan and asserted the rights of the Company under the Loan Agreement and the Supplemental Deed.

Rossoneri was only able to repay all the interests up to 30 April 2018 and part of the principal amount of US$1,000,000. In order to protect the interests of the Company and shareholders as a whole, the Company decided to take legal actions and arranged the Company's lawyer to issue the writ of summons to Rossoneri, Mr. Li and Ms. Huang respectively on 15 August 2018.

Since the Loan has been overdue for long time and the timing and result for the court to make final judgement are unknown, the directors have taken a prudent approach to make an impairment loss on the full amount of the outstanding principal amount in the sum of US$7,300,000 (approximately RMB47,995,000) for the year ended 31 December 2018.

As suggested by lawyer, the Company issued an application for summary judgement on 14 May 2019 and on 11 September 2019, a judgement was granted in favor of the Company in which Rossoneri and Mr. Li were liable to pay the Company the sum of US$7,300,000 (being the outstanding principal amount of the Loan) with interests at a rate of 24% from 1 May 2018 and the related costs until full payment is received. The Company is now seeking advice from the Company's lawyers on the best option to enforce the judgement. Since the loan has been overdue for long time, the directors have decided to write-off the outstanding balance during the year ended 31 December 2020.

The movements in the loss allowance of loan and interest receivables are as follows:

	2021 **RMB'000**	2020 RMB'000
At beginning of year	**–**	54,583
Amount written off as uncollectable	**–**	(54,583)
At end of year	**–**	–

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **RMB'000**	2020 RMB'000
Unlisted investment, at fair value	**–**	2,000

The above unlisted investment was wealth management products issued by bank in the PRC. It was mandatorily classified of financial assets at fair value through profit or loss as its contractual cash flow is not solely payments of principal and interest.

23. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB13,936,000 (2020: RMB6,514,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short term time deposits are made for period of one day depending on the immediate cash requirements of the Group, and earn interests at the respective short term time deposits rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**54,920**	55,347
3 to 6 months	**1,914**	3,394
7 months to 1 year	**77**	620
Over 1 year	**319**	640
	57,230	60,001

The trade payables are non-interest-bearing and are normally settled on 30 days to 90 days.

25. OTHER PAYABLES AND ACCRUALS

	2021 **RMB'000**	2020 RMB'000
Contract liabilities *(note (a))*	**108**	119
Accruals	**6,524**	9,492
Other payables *(note (b))*	**3,414**	3,516
	10,046	13,127

25. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) Details of contract liabilities as at 31 December 2021 and 2020 are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Short-term advances received from customers			
Sale of packaging product	108	119	262

Contract liabilities include short-term advances received to deliver packaging product. The decrease in contract liabilities in 2021 was mainly due to the decrease in short-term advances received from customers in relation to the sales of packaging product at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of one month.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured RMB loan *(note (a))*	3.85	2022	10,000	3.85	2021	5,000
Other borrowings:						
— unsecured US$ loan	6.5	On demand	20,940	6.5	On demand	21,655
— secured HK$ loan *(note (b))*	18	On demand	173,297	16.5-18	2021	92,814
			204,237			119,469
Non-current						
Other borrowings:						
— unsecured US$ loan	2	2023	146,753	2	2023	148,894
— secured HK$ loan *(note (b))*	–	–	–	16.5-18	2022	118,645
			146,753			267,539
			350,990			387,008

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	**204,237**	119,469
In the second year	**146,753**	118,645
In the third to fifth years, inclusive	**—**	148,894
	350,990	387,008

Notes:

(a) The Group's bank borrowing is secured by the Group's buildings and right-of-use assets, which had an aggregate carrying value at the end of the reporting period of RMB7,211,000 (2020: RMB8,157,000). The interest rate charged on the Group's bank borrowing is one-year China Interbank Offered Rate (2020: one-year China Interbank Offered Rate).

(b) Other borrowing was secured by share charge over the entire share capital of Cheng Hao International Limited, which is a wholly-owned subsidiary of the Company incorporated in BVI.

27. DEFERRED TAXATION

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Write-down of inventories RMB'000	**Withholding tax** RMB'000	**Total** RMB'000
At 1 January 2020	14	(2,843)	(2,829)
Deferred tax charged to profit or loss during the year *(note 12)*	—	(314)	(314)
At 31 December 2020 and 1 January 2021	14	(3,157)	(3,143)
Deferred tax credited to profit or loss during the year *(note 12)*	—	466	466
At 31 December 2021	**14**	**(2,691)**	**(2,677)**

27. DEFERRED TAXATION *(Continued)*

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

28. SHARE CAPITAL

A summary of the movements in the Company's authorised and issued share capital during the years ended 31 December 2020 and 2021 are as follows:

Authorised

	Ordinary shares of HK$0.04 each		**Ordinary shares of HK$0.01 each**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
		HK$'000		HK$'000
At 1 January 2020	–	–	20,000,000,000	200,000
Share consolidation *(note a)*	5,000,000,000	200,000	(20,000,000,000)	(200,000)
At 31 December 2020, 1 January 2021 and 31 December 2021	5,000,000,000	200,000	–	–

Issued and fully paid

	Number of shares	**Amount**	**Equivalent to RMB**
	'000	HK$'000	RMB'000
At 1 January 2020	1,384,734	13,847	11,371
Share consolidation *(note a)*	(1,038,550)	–	–
Issue of shares by share placement and rights issue *(note b)*	312,512	12,501	11,116
At 31 December 2020, 1 January 2021 and 31 December 2021	658,696	26,348	22,487

28. SHARE CAPITAL *(Continued)*

Issued and fully paid *(Continued)*

Notes:

a. Pursuant to an ordinary resolution passed on 27 July 2020, every four issued existing ordinary shares with par value of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share with par value of HK$0.04 each with effective on 29 July 2020.

b. On 7 September 2020, the Company completed a rights issue of 198,772,000 rights shares and a placing of 113,740,000 new shares at a subscription price of HK$0.16 each per share with gross proceeds of HK$50,001,000 of which HK$12,501,000 (equivalent to RMB11,116,000) was credited to share capital and HK$37,500,000 (equivalent to RMB33,349,000) was credited to share premium account. Details of the rights issue and share placement were disclosed in the Company's announcement dated 27 May 2020, 5 June 2020, 27 July 2020 and 7 September 2020.

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors, employees, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, and any substantial shareholder of any member of the Group. The Scheme became effective on 10 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant of the share options.

No option has been granted, outstanding, cancelled, lapsed or exercised by the Company under the Scheme. The Scheme has been expired during the year and the Company currently has no other share option schemes.

30. RESERVES

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. The other reserves of the Group are summarised as follows:

(a) PRC capital reserve

Exchange differences relating to the translation of the capital contributions by the equity owner of the Group's PRC subsidiaries from foreign currency to RMB are recognised directly in the PRC capital reserve.

(b) PRC statutory reserves

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of profit after tax reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by the directors annually but must not be less than 10% of the profit after tax, until such reserves reached to 50% of the registered capital of the relevant subsidiaries. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

(c) Special reserve

Special reserve of the Group represents the difference between the aggregate amount of considerations paid by the Group for the acquisition of CCPMCL, Chongqing Guangjing Packing Materials Co. Ltd and Sichuan Jinghong Packing Materials Co. Ltd., and the aggregate amount of paid-in capital of the aforesaid subsidiaries acquired pursuant to the corporate reorganisation undertaken during the year ended 31 December 2011. During the year, CCPMCL has been disposed, with special reserve of RMB12,500,000 has been reclassified to accumulated losses accordingly.

(d) Shareholders' contributions

On 24 October 2011, Rich Gold International Limited ("**Rich Gold**") executed a deed of release in favor of the Company, pursuant to which Rich Gold unconditionally and irrevocably released and discharged the repayment of a shareholder's loan from Rich Gold to the Company in the amount of HK$12,500,000 (equivalent to approximately RMB10,296,000) and any claim regarding such repayment. Such amount was recorded in shareholders' contributions in equity.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB2,146,000 (2020: RMB nil) and lease liabilities of RMB2,146,000 (2020: RMB nil), respectively, in respect of lease arrangements for land and buildings.

(b) Changes in liabilities arising from financing activities

2021

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2021	**387,008**	**3,635**
Changes from financing cash flows	**(5,544)**	**(2,895)**
Early termination of lease	**—**	**(739)**
New lease	**—**	**2,146**
Foreign exchange movement	**(12,109)**	**(94)**
Net-off by disposal of subsidiaries *(note 8)*	**(53,968)**	**—**
Interest expense	**35,603**	**41**
Interest paid classified as operating cash flows	**—**	**(41)**
At 31 December 2021	**350,990**	**2,053**

2020

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2020	422,491	6,718
Changes from financing cash flows	(51,466)	(2,843)
Foreign exchange movement	(22,586)	(240)
Interest expense	38,569	365
Interest paid classified as operating cash flows	—	(365)
At 31 December 2020	387,008	3,635

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 **RMB'000**	2020 RMB'000
Within operating activities	**152**	532
Within investing activities	**–**	2,049
Within financing activities	**2,895**	2,843
	3,047	5,424

32. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties during the year:

(a) The Group had an outstanding loan balance of RMB138,629,000 (2020: RMB143,360,000) due to Yitou (China) Limited ("**Yitou**"), a company of which Mr. Xu Gefei is a controlling shareholder. The interest expense of RMB2,820,000 (2020: RMB3,024,000) were charged at the rate of 2% per annum (2020: 2%) on a loan with a principal amount of US$21,795,000 (equivalent to RMB138,629,000) (2020: RMB143,360,000) granted by Yitou and the interest payable as at 31 December 2021 was RMB8,124,000 (2020: RMB5,534,000). Further details of the loan granted by Yitou are set out in the note 26 to the consolidated financial statements.

(b) Compensation of key management personnel of the Group:

Details of the compensation of key management personnel of the Group are set out in notes 10 and 11 to the consolidated financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2021 **RMB'000**
Financial assets	
Financial assets at amortised cost	
Trade and notes receivables	**169,083**
Financial assets included in deposits, prepayments and other receivables	**3,411**
Cash and bank balances	**52,671**
	225,165
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	**57,230**
Financial liabilities included in other payables and accruals	**9,938**
Interest-bearing bank and other borrowings	**350,990**
Lease liabilities	**2,053**
	420,211

	2020 RMB'000
Financial assets	
Financial assets at amortised cost	
Trade and notes receivables	225,177
Financial assets included in deposits, prepayments and other receivables	2,368
Cash and bank balances	23,881
	251,426
Financial assets at fair value through profit or loss — Designed as such upon initial recognition	
Financial assets at fair value through profit or loss	2,000
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	60,001
Financial liabilities included in other payables and accruals	13,008
Interest-bearing bank and other borrowings	387,008
Lease liabilities	3,635
	463,652

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of financial assets and financial liabilities recorded at amortised cost and considered their carrying amounts approximate their fair values largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values: As at 31 December 2020, the Group invested in an unlisted investment, which represented wealth management products issued by bank in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020				
Financial assets at fair value through profit or loss	—	2,000	—	2,000

Other than the financial assets at fair value through profit or loss, the Group did not have any financial assets measured at fair value as at 31 December 2021 and 2020.

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include financial assets of fair value through profit or loss, loan and interest receivables, trade and notes receivables, financial assets included in deposits, other receivables, cash and bank balances, trade payables, financial liabilities included in other payables and accruals, lease liabilities, and interest-bearing bank and other borrowings.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group does not have any written risk management policies and guidelines. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities (including loan and interest receivables, trade and notes receivables, deposits and other receivables, short-term bank deposits, cash and bank balances, trade and other payables, lease liabilities, other borrowings and foreign currency denominated intra group balances) which expose the Group to foreign currency risk at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**37,563**	16,978	**177,180**	220,381
US$	**92**	19	**167,693**	170,549
SGD	**1,081**	767	**198**	157

The following table details the sensitivity to a 5% (2020: 5%) increase and decrease in the relevant foreign currencies and all other variables were held constant. 5% is the sensitivity rate used which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rate. A positive (negative) number below indicates a decrease (increase) in post-tax loss for the year where functional currencies of respective group entities strengthen 5% (2020: 5%) against foreign currencies. For a 5% (2020: 5%) weakening of functional currencies of respective group entities against foreign currencies, there would be an equal and opposite impact on the result for the year.

	2021	2020
	RMB'000	RMB'000
HK$	**(6,981)**	(10,170)
US$	**(8,380)**	(8,527)
SGD	**44**	31

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade and notes receivables*	51,424	—	—	119,805	171,229
Financial assets included in deposits and other receivables					
— Normal**	3,411	—	—	—	3,411
— Doubtful**	—	—	—	—	—
Cash and bank balances					
— Not yet past due	52,671	—	—	—	52,671
	107,506	—	—	119,805	227,311

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade and notes receivables*	85,882	—	—	143,319	229,201
Financial assets included in deposits and other receivables					
— Normal**	2,368	—	—	—	2,368
— Doubtful**	—	—	—	—	—
Cash and bank balances					
— Not yet past due	23,881	—	—	—	23,881
	112,131	—	—	143,319	255,450

* For trade and notes receivables to which the Group applies the simplified or general approach for impairment, information based on the provision matrix is disclosed in notes 19 to the consolidated financial statements.

** The credit quality of the financial assets included in deposits, prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand or less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2021			
Trade payables	**57,230**	**—**	**57,230**
Other payables	**9,938**	**—**	**9,938**
Lease liabilities	**790**	**1,448**	**2,238**
Interest-bearing bank and other borrowings	**235,797**	**150,672**	**386,469**
	303,755	**152,120**	**455,875**
At 31 December 2020			
Trade payables	60,001	—	60,001
Other payables	13,008	—	13,008
Lease liabilities	3,041	760	3,801
Interest-bearing bank and other borrowings	119,560	303,309	422,869
	195,610	304,069	499,679

As explained in note 2 to the consolidated financial statements, the directors have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group's as a going concern.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's bank borrowing with a floating interest rate. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As the Group is not exposed to significant interest rate risk, the directors consider that the presentation of sensitively analysis is unnecessary.

Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of debt balance and equity balance. Debt balances consists of interest-bearing bank and other borrowings. Equity balance consists of equity attributable to owners of the parent, comprising issued share capital and reserves.

The directors review the capital structure on an on-going annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new issues and the issue of new debt.

The Group is not subject to any externally imposed capital requirements.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	72,870	104,863
Right-of-use assets	2,050	3,431
Deposits and prepayments	237	1,765
Total non-current assets	75,157	110,059
CURRENT ASSETS		
Deposits, prepayments and other receivables	2,191	80
Due from subsidiaries	3,276	3,388
Cash and bank balances	839	7,902
Total current assets	6,306	11,370
CURRENT LIABILITIES		
Due to subsidiaries	84,217	122,421
Other payables and accruals	3,408	3,908
Lease liabilities	685	2,883
Total current liabilities	88,310	129,212
NET CURRENT LIABILITIES	(82,004)	(117,842)
TOTAL ASSETS LESS CURRENT LIABILITIES	(6,847)	(7,783)
NON-CURRENT LIABILITY		
Lease liabilities	1,368	752
Total non-current liabilities	1,368	752
Net liabilities	(8,215)	(8,535)
EQUITY		
Share capital	22,487	22,487
Reserves *(note)*	(30,702)	(31,022)
Deficiency in assets	(8,215)	(8,535)

Ms. Ngai Mei
Director

Ms. Duan Mengying
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	**Exchange fluctuation reserve** RMB'000	**Shareholders' contributions** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2020	201,940	(9,042)	10,296	(232,652)	(29,458)
Loss for the year	–	–	–	(51,333)	(51,333)
Other comprehensive income for the year	–	16,420	–	–	16,420
Total comprehensive income/(loss) for the year	–	16,420	–	(51,333)	(34,913)
Issue of shares	33,349	–	–	–	33,349
At 31 December 2020 and 1 January 2021	**235,289**	**7,378**	**10,296**	**(283,985)**	**(31,022)**
Profit for the year	**–**	**–**	**–**	**2,763**	**2,763**
Other comprehensive loss for the year	**–**	**(2,443)**	**–**	**–**	**(2,443)**
Total comprehensive (loss)/income for the year	**–**	**(2,443)**	**–**	**2,763**	**320**
At 31 December 2021	**235,289**	**4,935**	**10,296**	**(281,222)**	**(30,702)**

37. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the Group has no significant events after the reporting period.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2022.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**377,405**	362,833	381,486	395,982	379,016
Gross profit	**52,954**	64,563	58,265	56,209	111,954
(Loss)/profit before tax	**(41,440)**	(35,227)	(47,211)	(317,038)	15,443
Income tax (expense)/credit	**(1,954)**	(3,197)	8,977	(3,274)	(17,418)
Loss for the year (owners of the Company)	**(43,394)**	(38,424)	(38,234)	(320,312)	(1,975)

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY					
Total assets	**346,916**	429,170	442,433	429,441	746,106
Total liabilities	**423,853**	469,102	501,413	469,260	462,171
(Deficiency in assets)/total equity	**(76,937)**	(39,932)	(58,980)	(39,819)	283,935